

**UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK**

	X	
	:	
In re	:	Chapter 11 Case No.
	:	
SEARS HOLDINGS CORPORATION, et al.,	:	18-23538 (RDD)
Debtors.¹	:	(Jointly Administered)
	:	
	X	

**DECLARATION OF KEITH KLUG IN SUPPORT OF TRANSFORM HOLDCO LLC'S BRIEF
IN SUPPORT OF THE ADVERSARY COMPLAINT AND IN OPPOSITION TO DEBTORS'
SUPPLEMENTAL MOTION TO ENFORCE THE ASSET PURCHASE AGREEMENT**

I, Keith Klug, declare under penalty of perjury as follows:

1. I respectfully submit this declaration ("Declaration") in support of Transform Holdco LLC's ("Transform") Brief in Opposition to Debtors' Supplemental Motion to Enforce the Asset Purchase Agreement and in Support of the Adversary Complaint.

2. I have worked for Sears Holdings Corporation ("SHC") for the last fifteen years.

Presently, I am the Director of Energy at Transform, a position I have held both at Transform

¹ The Debtors in these chapter 11 cases, along with the last four digits of each Debtor's federal tax identification number, are as follows: Sears Holdings Corporation (0798); Kmart Holding Corporation (3116); Kmart Operations LLC(6546); Sears Operations LLC(4331); Sears, Roebuck and Co. (0680); Service Live Inc. (6774); A&E Factory Service, LLC (6695); A&E Home Delivery, LLC (0205); A&E Lawn & Garden, LLC (5028); A&E Signature Service, LLC (0204); FBA Holdings Inc. (6537); Innovel Solutions, Inc. (7180); Kmart Corporation (9500); Max Serv, Inc. (7626); Private Brands, Ltd. (4022); Sears Development Co. (6028); Sears Holdings Management Corporation (2148); Sears Home & Business Franchises, Inc. (6742); Sears Home Improvement Products, Inc. (8591); Sears Insurance Services, L.L.C. (7182); Sears Procurement Services, Inc. (2859); Sears Protection Company (1250); Sears Protection Company (PR) Inc. (4861); Sears Roebuck Acceptance Corp. (0535); Sears, Roebuck de Puerto Rico, Inc. (3626); SYW Relay LLC (1870); Wally Labs LLC (None); Big Beaver of Florida Development, LLC (None); California Builder Appliances, Inc. (6327); Florida Builder Appliances, Inc. (9133); KBL Holding Inc. (1295); KLC, Inc. (0839); Kmart of Michigan, Inc. (1696); Kmart of Washington LLC (8898); Kmart Stores of Illinois LLC (8897); Kmart Stores of Texas LLC (8915); My Gofer LLC (5531); Sears Brands Business Unit Corporation (4658); Sears Holdings Publishing Company, LLC. (5554); Sears Protection Company (Florida), L.L.C. (4239); SHC Desert Springs, LLC (None); SOE, Inc. (9616); Star West, LLC (5379); STI Merchandising, Inc. (0188); Troy Coolidge No. 13, LLC (None); BlueLight.com, Inc. (7034); Sears Brands, L.L.C. (4664); Sears Buying Services, Inc. (6533); Kmart.com LLC (9022); SHC Licensed Business LLC (3718); SHC Promotions LLC (9626); and Sears Brands Management Corporation (5365).

and SHC since March 2015. In my current position, I am responsible for demand-side energy management, energy efficiency projects, demand response initiatives, utility relationships, and supporting field facility organizations for Sears and Kmart retail stores. In this current role, I oversee security deposits put in place to secure the supply of services from utility providers, including the Adequate Assurance Deposit (“AAD”) described below.

3. Except as otherwise indicated, all statements in this Declaration are based upon my personal knowledge. If called to testify, I would testify competently to each of the facts set forth in this Declaration.

4. Under an order entered by the Bankruptcy Court, the Debtors established the AAD, an account in which they would maintain a sum equal to two weeks’ worth of the average utility cost for each utility provider.

5. To my knowledge, the AAD is still in place and held in an account operated by the Debtors. It is my understanding that without having the AAD in place on and after February 11, 2019 (*i.e.*, the Closing), these utility providers would not have, absent alternative security provided by Transform, continued supplying services to properties acquired by Transform, as there would no longer be funds securing the continued provision of these utility services, in contravention of the agreements made between the Debtors and these utility providers.

6. For the properties acquired by Transform from the Debtors, as of February 11, 2019 and through the present, the Debtors have not made payment in full of all postpetition obligations to the utility providers secured by the AAD, and have not terminated services from these providers. The only manner in which services could have been terminated is the process described in the following paragraph, which began only after the Closing.

7. Transform is in the process of changing the names of each utility account from the Debtors. This process began after February 11, 2019. Once this process is complete, my expectation is that the utility companies will release their interest in the AAD and that Transform will be required to provide new collateral to secure the services of these utility providers. This process is still getting underway. The following are the only properties for which the names on the utility accounts have been transferred from the Debtors to Transform, and each of these transfers occurred after February 11, 2019:


<u>City/State</u>	<u>Format</u>	<u>Vendor</u>
Ocala, FL	Distribution Center	City of Ocala
Piqua, OH	Sears Retail	Vectren Gas
Elwood, IN	Kmart Retail	Vectren Gas
Richmond, IN	Kmart Retail	Vectren Gas
Hoffman Estates, IL	Corporate Office	Village of Hoffman Estates

* * *

Pursuant to 28 U.S.C. § 1746, I declare under penalty of perjury that the foregoing is true and correct to the best of knowledge, information, and belief.

Executed on June 25, 2019 in Chicago, Ill.

Respectfully submitted,


Keith Klug